

Economic and Marketing Issues from a Grower's Perspective

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The “Green” Industry

Floriculture

- Bedding/Garden Plants
- Cut Cultivated Greens
- Cut Flowers
- Flowering Potted Plants
- Foliage Plants
- Propagative Material

Nursery

- Broadleaf Evergreens
- Coniferous Evergreens
- Deciduous Shade Trees
- Deciduous Flowering Trees
- Deciduous Shrubs & Ornamentals
- Fruit & Nut Plants
- Christmas Trees
- Transplants for Truck Crop Production
- Propagation Material

Statistics

- Fastest growing sector of U.S. Agriculture
- 11% of gross cash farm receipts in 1997
- \$14.2 billion wholesale value in 2001
- \$13.3 billion wholesale grower cash receipts in 2001
- Second most important sector in U.S. agriculture
- Major employer

2001 Growth

- 2001 floriculture sales increases
- 2001 nursery sales declined
- Overall 2001 growth was less than 1%

Previous Growth

- 10% per year in the 1980's
- 5% per year in the 1990's

Problems

Environmental

- Water quality
- Soil quality
- Weather
- Pest stresses
- Aesthetic requirements
- Biological requirements

Economic

- Changing resources
- Costs (equipment, labor, chemicals)
- Demand for plants

Top 10 States in Cash Receipts

<u>2001</u>	<u>%</u>	<u>Cumulative %</u>
California	21.3	21.3
Florida	11.9	33.2
Texas	9.0	42.2
North Carolina	7.6	49.8
Ohio	5.0	54.8
Oregon	4.3	59.1
Michigan	3.8	62.9
Pennsylvania	2.4	65.3
New Jersey	2.3	67.6
New York	2.3	69.9

Source: Floriculture & Nursery Crops, USDA May 2002.

U.S. Consumption

- ◆ 1st in consumption of outdoor landscaping plants
- ◆ 12th in consumption of indoor plants and flowers

U.S. Consumption

<u>Crop</u>	<u>Billion dollars*</u>	<u>Per Household</u>	<u>Per Capita</u>	<u>Import Share</u>
Floriculture				
Cuts	1.0	\$ 9	\$ 3	60%
Other	<u>4.5</u>	<u>\$ 42</u>	<u>\$ 16</u>	8%
Sub-total	5.5	\$ 51	\$ 20	17%
Nursery	<u>8.7</u>	<u>\$ 81</u>	<u>\$ 30</u>	3%
Total	14.2	\$133	\$ 50	8%

*Based on wholesale value of sales and net imports.

Source: Floriculture & Nursery Crops, USDA May 2002.

Regional Consumption

<u>Region</u>	<u>Per Capita</u>
West	\$ 68
South	\$ 55
North Central	\$ 30
Northeast	\$ 25

*Based on wholesale value of sales and net imports.

Source: Floriculture & Nursery Crops, USDA May 2002.

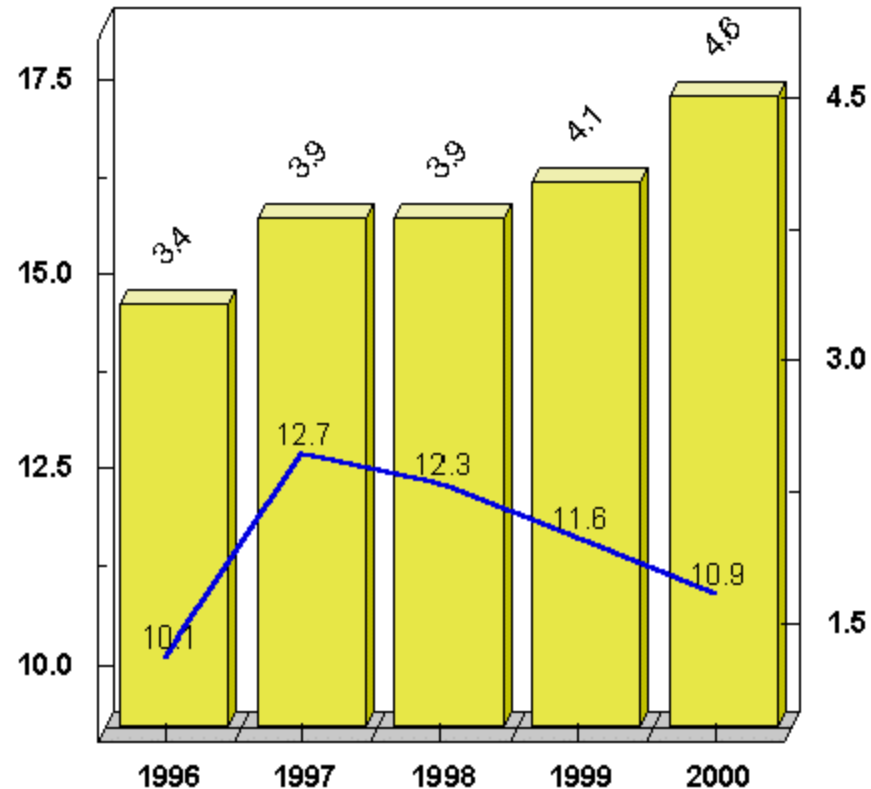
Number of Growers and Value of Sales

Floriculture Crops 1996 - 2000 1/

Operations with \$10,000 Sales

Growers (000)

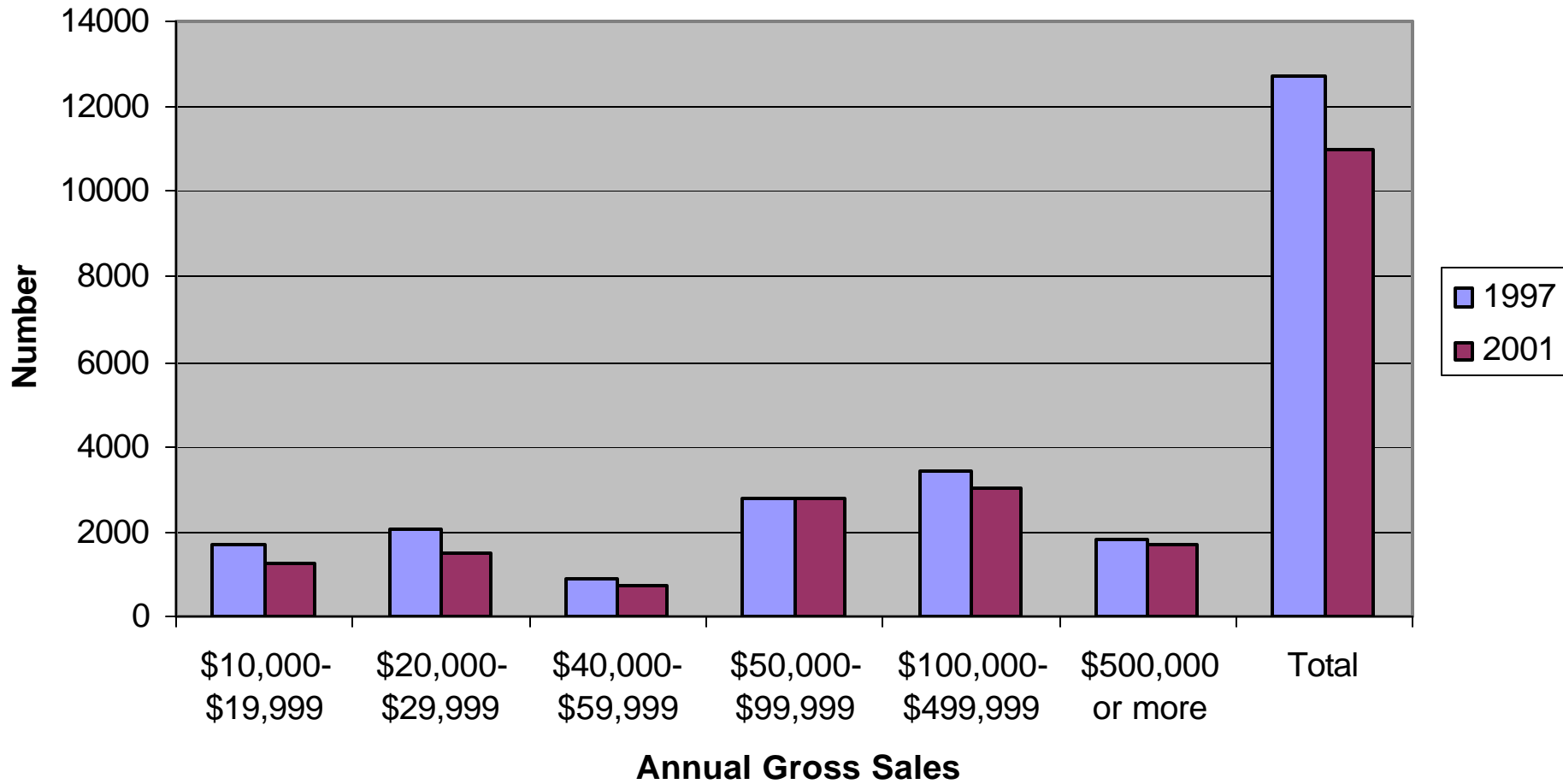
\$ Billion



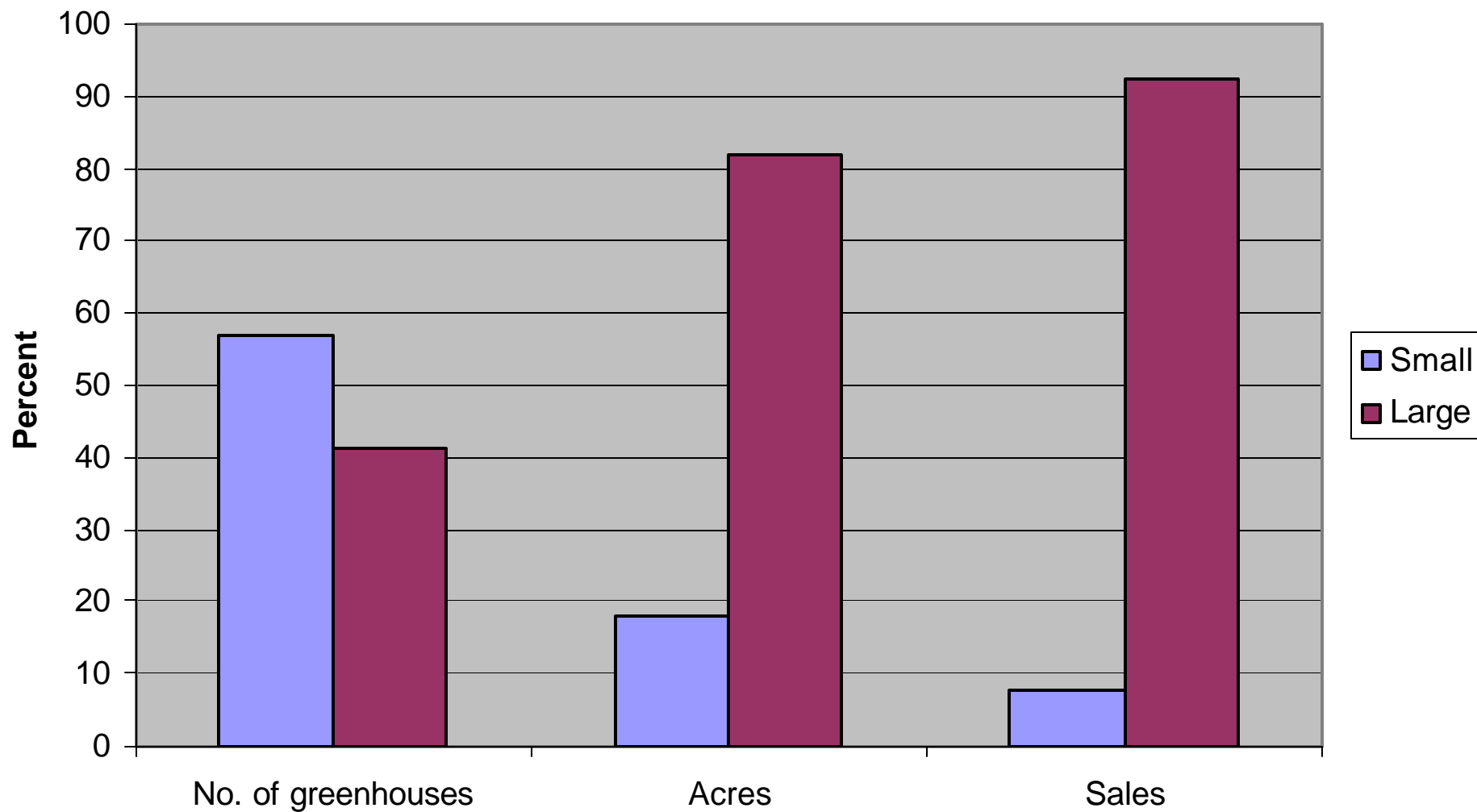
1/ 2000 data are not comparable to previous years. Propagation material were added and other categories were updated. See Floriculture Crops 2000 Summary for explanation; pgs 3-5 and Survey Procedures, pg 124.

USDA-NASS
April 2001

Floriculture Growers by Gross Sales



Percent of greenhouse, acres, and sales by size category



Market Trends

- Shift from Producer-driven to Consumer-driven market
- Global Marketplace
- National Brands
- Big Box Stores
- Independent Garden Centers
- Frank's Nursery and Crafts

New Jersey: Case Study

- One of Top 10 states
- Green Industry is Number 1 Ag. Commodity
- Green Crops are 37% of Farm Receipts
- Cash Receipts of \$298 million
- 350 Greenhouses
- 600 Nurseries

Factors That Impact Business

- Production costs
- Market demand
- Own managerial expertise
- Environmental regulations
- Capital
- Zoning regulations
- Weather uncertainty
- Estate/planning
- Ability to attract management
- Ability to attract hourly employees
- Other

Factors That Impact Ability to Grow Healthy Plants

<u>Factor</u>	<u>Number</u>
Controlling diseases	71
Controlling insects	67
Weather	57
Controlling weeds	49
Water quality	48
Using new technologies	39
Scheduling crops in the greenhouse	37
Cultural requirements of new crops	28
Other	9

Factors That Impact Price Determination

<u>Factor</u>	<u>Number</u>
Cost of production	112
Grade of plants	85
Market demand	81
Product uniqueness	76
Other grower's prices	48
Inflation	40
Inventory levels	7
Last year's price	7
Other	2

Factors That Limit Expansion

<u>Factor</u>	<u>Number</u>
Capital	75
Personnel	57
Marketing	44
Production	37
Plant selection	36
Transportation	28



Summary

- Market is now consumer-driven rather than production-driven
- Producers can generally handle production, but are less confident about selling at a reasonable price and controlling costs
- Producers are looking for help in marketing, labor management and business management